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USING MICROFINANCE MANAGEMENT FOR INDIVIDUAL BORROWERS IN CAMEROON, AFRICA

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ABSTRACT

The stresses that come with obtaining loans from financial institutions by the individual borrowers of Cameroon is daunting and tantamount to good connections. Income generation for individual borrowers is dependent on the ability to attract loans from financial institutions which in most cases is a stressful process. The individual borrowers of Cameroon depend on microloans for survival and success. This paper focuses on the importance of microfinance management to benefit individual borrowers as a catalyst for economic development and stability for the success of a developing economy like that of Cameroon.

Keywords: Microfinance, Microloan, Individual Borrowers, Risk Management, Financial Institution.

INTRODUCTION

Individual borrowers of Cameroon in Africa are currently facing financial problems when it comes to obtaining capital from financial institutions. Many cannot obtain capital without offering capital or collateral to start a new business or upgrade an existing business. It is important to explore the management strategies of these microfinance institutions in Cameroon to provide possible ways to help these individual borrowers.

Various articles have been examined to explore the current trends in microfinance management to establish an effective risk management model and identify success factors that link microfinance management to successful management and leadership styles. Mays and Sangha (2013) indicated that risk management decisions are financial decisions that must be evaluated based on their effect on firm or portfolio value, rather than on how well they cover certain risks. The main question that this review will answer is: How can the micro business owners of Cameroon obtain additional capital to open new businesses or improve existing businesses?

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RISK MANAGEMENT

Risk management is a significant topic to explore for the people of Cameroon because most of the communities are plagued with poverty. By providing strategies to manage microlending within financial institutions, the people of Cameroon could benefit from lending strategies that would result in minimal risks to individual borrowers. Strategies can be put in place by reaching to decision-makers and leaders of financial institutions to see if new strategies can be implemented to modify existing lending practices.

Krear-Klostermeier (2012) stated that effective leadership is the most critical factor in setting an organization's vision and strategic direction, as well as in formulating and implementing strategies to achieve strategic business goals and objectives. Krear-Klostermeier concluded that effective leadership determines employee engagement and organizational effectiveness, which could provide the necessary resources to manage corporate performance so that a talented workforce can achieve an agency's mission.

In addition to asking finance leaders to change their lending practices, it is important to understand that microfinance issues could be complex in nature. There are many challenges that could hinder the financial companies from being efficient. According to Zachary (2013), microfinance institutions (MFIs) charge such high interest rates compared to more traditional financial services, which may make financial institutions less likely to change their lending practices. The ones who suffer from these high interest rates are poor individuals who want to start a business or borrow money to finance existing businesses. Because of the existing problems that are faced by borrowers, it is important to research new practices that could help financial institutions understand how changing such practice could improve the economy of Cameroon. The following discussion below shows research that could ease lending and borrowing practices in MFIs.

Yunus (1999) noted that the concept of microcredit was first developed in Bangladesh by Nobel Peace Prize winner Muhammad Yunus. Professor Yunus started Grameen Bank (GB) more than 30 years ago with the aim of reducing poverty by providing small loans to the country's rural poor. This scenario could be supported by Benjamin Franklin's statement: "An ounce of prevention is worth a pound of cure" (Wesley, 2012). By applying credit risk management in the MFI and borrowers' side, both parties could withstand changes brought about by fluctuating regulatory environment, the economy, and credit difficulties.

Benefits of Microfinancing

Microfinance, if properly harnessed, could contribute significantly to the well-being of the poor population. Microfinance can increase investment among needy individuals and empower them economically (Boateng, Boateng & Bampoe, 2015). The attention of the entire microfinance community has been on the diverse needs of clients, the broader financial ecosystem, and the transformational nature of technology (World Bank Handbook on Microfinance, 2013). The objective of microfinance is not only to provide credit for needy individuals to fight poverty, but also to create institutions that will deliver financial services to poor individuals. Otero (1999) pointed out that the conventional commercial banks have ignored poor individuals. Thus, another alternative needs to be in place to make lending practices fair and equitable for people who need them the most. Individuals cannot succeed in business if they cannot get the appropriate resources to help them make more money.

FINANCIAL WOES

When people are financially stressed, they might not succeed in their academic and professional goals.Individuals employ coping strategies to ease their financial problems such as reducing expenses, increasing income, improving management skills, borrowing money, employing psychological means to reduce or avoid stress, and seeking help (Otero, 1999). It is further noted by Lim, Heckman, Letkiewicz and Montalto (2014) that financial stress was measured using several reported financial stressors, including the following:

- Not able to purchase clothing
- Not able to discuss financial matters
- Not able to pay utilities
- Not able to save for emergencies
- Have financial concerns that affect relationships
- No money for medical bills
- Not able to keep a car running

Lim, Heckman, Letkiewicz, and Montalto (2014) concluded that financial stress can negatively relate to sound financial practices and positively relate to harmful financial practices. The people of Cameroon could be negatively affected by these financial practices since it can be difficult for them to fund their small businesses or even start one. To help the borrowers of Cameroon would require changing the financial practices of MFIs.

DISCUSSION

Many borrowers fail to realize that banks are in the business of lending money. Interest rates are low, largely with the intent of recovering the original loan principal plus a reasonable reward (interest) (Merola, 2012). When a loan enters default, banking regulations require that the affected bank set up a capital investment less reserve to protect against non-collection of the defaulted note (Merola).

When banks cannot recover the loans from borrowers, this results in the bank not having the financial funding to cover other capital investments, which could create liquidity problems for the financial institutions (Elliot, 2013). Thus, the banks have to obtain collateral from various sources. These can be in the form of real estate, marketable securities, or business assets to help offset the loss of principal. Therefore, when borrowers go to the bank to finance their business or to get a loan, these borrowers must be prepared to offer both business and personal assets as collateral. Elliot concluded that sometimes a borrower can negotiate a limit or "cap" on the level of personal collateral provided, which can offset some of the borrowers' risk in a downside scenario. The problem with the people of Cameroon is that borrowers have difficult time paying their loans because of the high interest rates. Instead of paying off the loan, borrowers end up having to pay the interest rates without making any progress on paying the principal of the loan. Thus, in this situation, proper financial management must be in place for the borrowers, so they have a good understanding of how the loan process from the banks work. Jones and George (2008) stated that management includes planning, organizing, leading, and controlling of human and other resources to achieve effective and efficient organizational goals.

STRATEGIC FINANCIAL MANAGEMENT

Strategic Financial Management (SFM) could be applied to the plight of the people of Cameroon to give lenders financing options that would also be beneficial to all. Collected capital should be used and managed in the most efficient way in enterprises, and decisions on the reinvestment and distribution of profits should be as reasonable as possible (Karadag, 2015). Strategic financial management consists of financial strategies that are goals, patterns, or alternatives designed to improve and optimize financial management to achieve common results (Karadag). By incorporating an organizational strategy, financial institutions could have a plan in place to compete with other banks. Gupta (2011) explained that an organizational strategy is a plan for interacting with competitive environments.

Risks must also be present when incorporating any change to a business practice. Fadun (2013) elucidated that risk is an essential part of business because firms cannot operate without taking risks. The risk is commonly associated with uncertainty, as the event may or may not occur. Risk implies exposure to uncertainty or threat. A decision to do nothing involves explicitly avoiding the opportunities that exist and leaving threats unmanaged (Hillson & Murray-Webster, 2007). Uncertainty may manifest in either negative (threat) or positive (opportunity) form, or both. The way in which a risk is perceived influences the manner in which it is handled. Managing risks from a negative perspective may result in complete omission of opportunities (benefits/gains) in the event being considered (Operational Risk Management in Nigeria Banks, 2014).

ORGANIZATIONAL CULTURE

Organizational culture is a complex network of values and norms that guides an individuals' behaviors. It involves a set of beliefs, values, assumptions, and experience acquired through learning, socializing, and sharing by members of a social unit such as people in an organization (Shumen, 2009). The culture of an organization is sometimes dynamic in nature, after adequate strength and weakness analysis (Shumen). Jerome (2013) reiterated that organizational culture has proven to be very elusive. There is not a single definition that has been accepted across all organizational culture literature. One of the issues involving culture is that it is defined regarding its causes as well as its effects (Shili, 2008). However, when given an opportunity, decision-makers are aware of the benefits of changing financial practices. Coenen, Felton, and Schmid (2011) explained that effective management of financial transparency helps in finding answers to the challenges faced by financial organizations.

LEADERSHIP STYLES

It is important to talk about leadership styles to determine whether these decision-makers are open to making changes to their lending practices. Leadership styles are based not on cultural values and norms, but instead on statistical numbers. Given individual variables and criteria with weights and beta analysis, an actual value can be given to a leadership style based on what would be more efficient per an equation. All leadership styles can eventually be funneled into two categories: transformational or transactional. The charismatic leader and the human collaborator are relatively active leadership types (Allio, 2012).

Transformational leadership is a leadership model based on vision and empowerment to increase employee effectiveness, well-being, and commitment. Levinson (2013) expatiated that transformational leadership theory has been used in the past to manage the ongoing changes in social service organizations. These theories were selected to be the best because matching them with the research questions any smart leader can use the resources to project the future and strengthen the organization for success in competitive advantage. These theories were the best that could be utilized to investigate the research topic with ways to get a developing economy like the Republic of Cameroon out of poverty.

BBC Monitoring European (2012) elucidated that leadership can be autocratic with decisions in a top-down hierarchical manner to subordinates, and democratic with the decision shared with the management and subordinates. Using the legitimate power granted by one's position in an organization calls for a leader with exceptional personalities. Per Fred Fiedler's basic theory, the leader's effectiveness depends on a match between the character of the leader and the complexities of the situation.

Sampayo and Maranga (2015) noted that contingency theory of leadership focuses on the personalities and characteristics of leaders. Larch (2010) argued that idea of a contingency theory of leadership is not novel and that several scholars in the 1960s-conducted research and proposed such an approach claiming that the style of leadership that would be most effective depended upon the situation. Da-Cruz, Nunes, and Pinheiro (2011) explained that contingency theories of leadership analyze how situational factors alter the effectiveness of behavior and the leadership style of a leader. The assumption was that neither leaders' characteristics nor behavior nor styles automatically make a leader. Since organizational leaders can also be charismatic and technocratic in nature, leadership exists predominantly inside people as well as inside the organization.

Bauer (2015) believed that charismatic leadership style seems to be the one accepted as best supporting effective leadership. However, the path-goal theory focuses on appropriate leader behavior for various situations. Sometimes leadership is a process while sometimes as a relationship. Malik, Aziz, and Hassan (2014) pointed out that Path-goal theory of leadership anchored on Vroom's expectancy theory of motivation with its concepts of likelihood, outcomes, valence, and instrumentality.

Leadership is complex and influenced by relationships, circumstances, and personalities. Polston-Murdoch (2013) expounded that Path-goal theory states that a leader must be able to manifest four different styles of behavior that are directive, participative, and achievement oriented. I believe that incorporating contingency theory of leadership and path-goal theory of leadership into this study built a more decent bridge for success.

It is of importance to mention here that the management and leadership style of the people of the Republic of Cameroon is improving for the success of all. A good example is the President of the Republic of Cameroon, President Paul Biya, who had refused to step down from the office after 33 years. Sa'ah (2012) noted that President Biya has made the Presidency a personal dynasty and diagnosed that

President Biya has displayed the same ruthlessness over the years with allies who have shown presidential ambition.

Owoye and Bissessar (2012) pointed out that because of their autocratic leadership, they helped lay the unstable foundation of bad governance and corruption felt in their economies. Sööt (2012) pinpointed that top management handles corruption by implementing anti-corruption initiatives through creating a culture in their organizations that supports anti-corruption policies. The policies are all about political compensation, tribal connections or personal transactions.

Tosam (2015) expatiated that in Cameroon, public servants have little accountability to the people and that corrupted bureaucracy makes it almost impossible to create a business, get a legal document like a passport, or a birth certificate. Gbetnkom (2012) reported that it is usual for citizens to be forced to pay a bribe for services rendered to them and that Cameroon has been nominated many times by Transparency International as the most corrupt country in the world. Business Monitor International (2016) explained that corruption in Cameroon remains rampant and may worsen, with inefficiencies in the tax administration and the registering of property despite official attempts to reduce it. Simplice (2014) summarized that corruption is one of the three most pressing national problems confronting African countries, the other two being unemployment and poverty.

MANAGEMENT CONFLICT

Nwagbara and Brown (2014) stated that studies on conflict management suggest that conflict is complex, particularly regarding how it affects organizational transformation and performance. Because conflict, organizational success, and sustainability are inextricably related, it is better to rethink how to manage conflict than to avoid it. Resolving management conflict demands an understanding of fundamentals of communication such as communication perception, expectation, demands, and information relationship.

RISK MINIMIZATION

Finding a way to minimize risk within the microfinance industry could benefit the people of Cameroon. Finding ways to make additional capital available to the low-income individuals to start a business will eventually help reduce poverty for the country. There are risk factors in place, but with proper application of these strategies, microfinancing can be a viable strategy for helping the financial institutions and the borrowers of Cameroon.

Envoy from the International Monetary Fund (2003) concluded that Cameroonian authorities designed the first Poverty Reduction Strategy Paper in April 2003, following a participatory approach involving public administrations, businesses, civil society organizations, and development partners. Presented to the international community in August of the same year, the paper adopted a reference framework for the intervention of all actors in Cameroon's economy. This strategy, based primarily on education and health sector strategy, laid emphasis on programs on access to essential social services.

Mosley and Rock (2004) mentioned that the impact of microfinance loans is variable between institutions with a tendency for savings services to be taken up by people well below the poverty line, especially in South Africa and Kenya.

However, many benefits to the low-income individuals from microfinance programs, in Africa at least are likely to come via an indirect route, via wider impacts, or spin-offs, rather than through a direct effect on borrowers. Kiiru and Machakos (2007) depicted the fact that poverty reduction is clearly spelled out in many of the objectives of such microfinance models, not all microfinance institutions have poverty alleviation as a primary mission.

The microfinance industry today consists of a wide range of institutions serving different market niches with the sole aim of providing small-scale financial services to businesses and households. The industry traditionally kept outside the financial system; without necessarily having a poverty reduction mission. Gulli (1998) cautioned that making good use of microfinance in reducing poverty requires understanding both the strengths and limitations of microcredit and recognizing that other tools and measures are needed to complement in the poverty reduction.

High microloan interest rates had received criticism since the beginning of the modern microfinance movement in the late 1970s. Tarozzi and Deanton (2007) concluded that criticism had intensified in the past few years, and legislated interest rate caps are being discussed in a growing number of countries. Part of the reason for the increased concern about rates was that microfinance was drawing ever more public attention, including political attention. Rosenberg (2009) parsed that the cost of funds, loan loss expense, administrative cost, and profit are important components to consider.

From those four main components, emerging competition can be expected to lower rates in the future. Mitra (2009) pointed out that to improve the profitability of microfinance institutions (MFI), interest rate on the loan is kept at a very high level and additional costs in the form of margin money. Compulsory savings and insurance premium are being imposed on borrowers. Mitra further explained that microfinance institutions had been providing microfinance loans exceeding several billions of dollars. But the original idea of service to the poor population was getting replaced by profiteering concepts like initial public offering (IPO), return on equity (ROE), Securitization, etc. Mitra (2009) concluded that Muhammad Yunus (propounded microfinance) had expressed his dissatisfaction for the growing commercialization of microfinance.

In an interview with CNNMoney.Com, Muhammad Yunus criticized the microfinance institutions that take the opportunity of the poor population to make profits off them. Mcloughlin (2013) deduced that on the impact of interest rates on demand and indebtedness, the evidence is inconclusive, and the literature raises some qualifications to the notion of a straightforward relationship. Microloans are on a high-interest rates with adverse effects on the borrower’s well-being, including the following:

- Isolating the role of high-interest rates in over-indebtedness was difficult. LacKamp (2014) clarified that studies point to a range of factors related to the circumstances of the borrower, as well as the role of microfinance institution (MFI) policies and how loans are priced (including interest rates).
- While one or two qualitative studies had illustrated that high interest on loans was disliked by borrowers and may exacerbate their financial burden, interest rates are not the only element of pricing. Such pricing affects user’s capacity to make repayments on time.

- The ability to keep up interest payments may be dependent on the loan usage. The high-interest rates were particularly harmful in instances where investments yield low financial returns. Fernando (2006) explained that one study in South Asia suggested that the types of activities that poor people use microcredit for typically generate moderate returns that reduce their capacity to service high-interest loans.

Likewise, where microcredit was used to increase consumption, as opposed to making productive business investments, the microcredit may be infeasible to expect the high-interest loan can have a positive impact. Stewart, Van, Dickson, Majoro, and De-Wet (2010) explained that microcredit had no positive effect on the finances of the poor population in the short term:

- Where high-interest rates ensure the profitability and sustainability of the sector, the capacity of lenders to reach out to the poor population and remote users is daunting. Matabisi (2011) reckoned that financial services refer to the range of activities of the finance industry. Financial services included lending, savings, insurance, investments, pension/retirement, payment services, mortgage, and money transfer.
- Financial institutions are organizations that provide financial services. Liaw (2011) submitted that major financial institutions are commercial banks, investment banks, investment companies, brokerage firms, clearing firms, and insurance companies. However, knowledge about their achievements remains partial and, in some cases, contested.

The impact of microfinance has been the topic of an increasing number of studies. Durendack, Palmer-Jones, Copestake, Hooper, Loke, and Rao (2011) advanced that safer borrowers should be charged less provided and each type identified. Since the lender had incomplete information about the risk profile of its borrowers, higher average interest rates are passed on to all borrowers irrespective of their risk profile.

Mbemap (2009) cautioned that microfinance was not a foreign import in most Central African Economic and Monetary Community (CEMAC) countries. Indeed, microfinance was culturally rooted and can be traced back several centuries. The nonalignment of policies with market realities, weak internal control, and the violation of basic principles of financial risk management caused the financial crisis. Ngehnevu and Nembo (2010) propounded that it was important to remember that the services provided to microfinance clients are in the following categories:

- Financial intermediation or the provision of financial products and services such as savings, credit, insurance, credit cards, and payment systems should not require ongoing subsidies.
- Social intermediation is the process of building human and social capital needed by sustainable financial intermediation for the poor. Note that social intermediation may require subsidies for a longer period than financial intermediation.
- Enterprise development services or nonfinancial services that assist micro-entrepreneurs include skills development, business training

(skills, knowledge, and competencies), marketing and technology services, and subsector analysis. The services may or may not need subsidies, and this depends on the ability and willingness of the clients to pay for these services. Alasadi and Al-Sabbagh (2015) submitted that developing management skills are considered means of improving the competitiveness of businesses and the economy. Alasadi and Al-Sabbagh concluded that owners/managers are reluctant to consider management/business training due to time constraint and costs. Thus, it was important to emphasize that the process will help owners to think about all- aspects of their business in an efficient way, and to help them identify areas where they can benefit from outside expertise.

Nukuna (2016) elucidated that social services or non-financial services that focus on advancing the welfare of micro entrepreneurs to include education, health, nutrition, and literacy training are vital in a developing society like that of Cameroon. These social services require ongoing subsidies provided by donor supporting NGOs or the state. For clarity and proper organization, this section was further divided into 5 main sections to encapsulate all aspects of this study:

- The management and leadership from the theoretical perspectives
- The emergence of modern risk management
- Risk management effectiveness
- Risk management from a microfinance standpoint
- Risk management success.

Emergence of modern risk management. Interest in risk tends to come to the fore at times of crisis and then recedes as conditions revert to normalcy. Guill (2009) mentioned that to survive in this new world, banks would have to learn how to manage risk and that Bankers Trust was one of the first firms to realize that risk management was both a necessity for survival and a strategic tool to guide the evolution of the business. Dionne (2013) informed that the study of risk management began after World War II. Several sources date the origin of modern risk management to 1955-1964. Snider (1956) observed that there were no books on risk management at the time, and no universities offered courses on risk management. Snider concluded that Mehr (1963) and Williams and Hems (1964) published the first two books.

Zachmann (2014) noted that although the etymological roots of the term risk can be traced back as far as the late Middle Ages. The modern concept of risk appeared with the transition from traditional to modern society. Zachmann concluded that the modern understanding of risk presupposes subjects or institutions, accountable for their actions that make decisions under conditions of apparent uncertainty. Burgess (2016) demonstrated that risk is not just about aversion to a potential hazard; risk concerns something much broader. The risk is about calculating the chance, and the probability of future outcomes. Burgess concluded that the essence of modern risk management is as much about taking advantage of opportunities to prosper as it is about avoiding potential losses.

Sivan (2015) reiterated that risk management is a continuous, forward-looking process that is an essential part of the business and technical management processes. Ana-Maria (2012) expounded that risk management is an important part of planning for businesses. The process of risk management is designed to reduce or eliminate the risk of certain kinds of events happening, or having an impact on the firm. Ana-Maria concluded that the most critical phases of risk management process include the risk identification, risk analysis, and risk response as shown below:

- The risk identification is achieved by completing checklists, organizing meetings for identifying risks, and analysis of archived documents.
- The risk analysis uses methods such as determining the expected value, Monte Carlo simulation, and decision trees.
- The risk response includes measures and actions to reduce, elimination, or risk allocation.

Brown, McGourty, and Schuermann (2015) elucidated that banking is not simple as one might perceive. Banks intermediate between clients displaying a broad set of needs living in a global and interconnected economy. Brown, McGourty, and Schuermann expressed that it is naïve to think that bankers could manage the complexities of clients need while offering the product and services without a proper understanding of risk management models. Brown, McGourty, and Schuermann concluded that good model risk management is perhaps especially important for regulators since those models by design affect not just individual banks but the entire banking system.

Bulluz (2002) concluded that risk management provides a structured approach to decision analysis. Risk management is about minimizing the probability of loss and maximizing the chance of success of your decisions. Bruett (2004) circumvented that real risk management requires not only identifying various risks but also identifying those that will unlikely to occur with great frequency, may cause high, magnitude impact when they do occur. Bruett concluded that MFI managers and board members must begin to pay attention to macroeconomic and systemic trends and develop strategies to address those.

Model risk management. Mansingh (2015) demonstrated that there are different types of models used in banking such as valuation model, credit evaluation model, risk measurement model, etc. While institutions have made significant strides in increasing their capabilities and maturity in this critical and emerging risk management area, certain practical applications remain in the interpretation of the guidance which requires further consistent clarity from regulators. Klynveld, Peat, Marwick, and Goerdeler (2013) spelled out that regulatory expectations for model risk management can heighten the U.S. supervisory guidance, which provides a more extensive and rigorous set of requirements and expectations than previously existed.

Cephas and Fogam (2013) explained that regulators expect institutions to comply with the guidance and have conducted examinations using the guidance as a standard. PricewaterhouseCoopers (2013) explicated that banks will need to inject more formality into the model development and implementation control framework. The development of specific model risk control processes addressed all identifiable risks through effective risk mitigation activities. PricewaterhouseCoopers concluded that it could be useful to spell out the risk remediation, and mitigation components should include these model risk management program:

- Longer term action plans to focus on more permanent fixes to the identified model risk issues.

- Short term risk litigants designed to mitigate the risk to the bank today while developing the long-term.
- It is in this context of short-term risk mitigation of model use that senior.

Management/board governance and oversight of model risk become necessary. This research suggested and recommended other approaches that could help reduce the risk factors in the lending process and contribute to establishing trust between the lenders and borrowers to cement their relationships. Mays and Sangha (2013) propounded that industry roundtables and surveys, as well as informal discussions with bankers reveal trends in how banks are approaching model risk management. Mays and Sangha summarized that most banks have either rewritten or are in the process of revising their model risk management policies to cover all aspects of the regulatory guidance and at another level, the model risk management process needs to have a mechanism to escalate and report independently to the board of directors.

Carrillo (2012) postulated that since the financial crisis, the board of directors of most banking institutions are seeking a perspective on the health of the models within the firm. Speaking about Nationwide insurance company, Lam (2015) explained that following the 2008 credit crisis, the company's senior leadership recognized the need for a more formal risk management and governance structure surrounding key models. Menon (2015) concluded that weaknesses in governance, risk management, and operational controls have allowed unbridled risk-taking and encouraged some individuals to push, and in several cases, break the bounds of what is permissible. Since the financial crisis, the international regulatory community have issued directions and guidance to tighten financial institutions' governance standards to curb excessive risk-taking. Akon (n.d.) commented that the Cameroonian banking sector has failed to make the required contribution to the economy.

Akon (2012) explained that in Cameroon, the banking sector had been blamed for making a microscopic contribution to the growth of the economy (IMF, 2009). Akon concluded that the rate of penetration of banking services has been low while banks have the excess liquidity they rely mainly on short-term deposits (ADfB, 2009). Banks are interested in the high-net-worth individuals and corporations with fewer risks, ignoring the greater part of the population that are not financially viable.

Liondis (2013) discoursed that findings underscore the concerns of the Reserve Bank of Australia and financial regulators, which have issued high-level warnings to the banks over the past week in a bid to keep a lid on riskier lending while interest rates are low. Speaking about mortgages, Liondis explained that new research shows more lenders are willing to consider borrowers with a deposit of as little as five percent. Liondis concluded that a microfinance institution (MFI) may not receive its money back from borrowers (plus interest).

Warue (2012) said that since most microloans are unsecured, delinquency can quickly spread from a handful of loans to a significant portion of the portfolio. Warue concluded that delinquency is measured because it indicates an increased risk of loss and warnings of operational problems and may help to predict the amount of the portfolio not repaid. To make sure that the loan will be repaid, certain factors need to be taking into considerations such as:

- Understand the credit history of the borrower

- Check the collateral that is available for the business to secure the loan
- Understand the character of the borrower
- Create a post loan commitment
- Counsel the borrower to avoid default

Risk management effectiveness. Effective risk management is essential for success in all business sectors today. Guill (2009) demonstrated that firms that managed risk well have a competitive advantage whatever their field. If a company understands risk;

- It can make conscious decisions to embrace or shed risks
- Charge a rational price for the take that chance assumes
- Redeploy capital away from underperforming activities to those that earn risk-adjusted
- Returns more than a prescribed target
- Accurately judge how much total capital it needs to hold as a buffer against unexpected losses

However, for greater success, it is important to combine retail banking activities with corporate and investment banking, to manage various types of risks including:

- Credit risk, meaning the risk of losses that result from the inability of the bank's clients or other stakeholders to meet their financial commitments.
- Market risk, generated by trading activities (interest rates, foreign exchange, loss of value of financial instruments, etc.).
- Operational risk, which refers to the risk of losses or sanctions due to procedural failures, human error or external events.
- Liquidity risk, the risk that the bank cannot meet its cash flow obligations when they are due.

Kushelev (2012) emphasized that it is expedient to know that cost, benefit, and expertise are the most common reasons for not implementing a risk management program. Ibtissem & Bouri (2013) articulated that it is nearly for the poor individuals who live in riskier environments to obtain loans. Ibtissem and Bouri explained that the lack of assets, collateral, and limited credit history debarred the individuals from obtaining credit from the traditional banking system because lending to them became precarious, very costly, and difficult to overcome. My survey could address these issues by identifying the problem that is causing the difficulties, consider the sources of the financial problems with possible reasons and suggestive solutions.

Ranong and Phuenngam (2009) suggested that one of the most important aspects of effective risk management is organizational structure. Ranong and Phuenngam explained that organizational structure provides the concept, guideline, direction and support to the employees that are conducted by the steering committee since they design and teach employees to share and use a common vocabulary. The employees work as a team to prevent a silo mentality and incorporate resistant employees in the process.

Collier, Katchova & Skees (2011) summarized that access to financial services, especially credit, has played an increasingly important role in the development of economic theory and applications in the past four decades. Collier, Katchova and Skees (2011) noted that many households had gained access to microcredit, and increasingly sophisticated approaches are being adopted to enhance the performance of financial institutions serving the poor individuals. Collier et al. demonstrated that the correlated risk exposure of many small borrowers could significantly affect the lender and the importance of considering bank management in assessing the risk of a financial institution. Bank strategies to minimize losses may require a long-term restructuring that perpetuates the effect of risks. Schaus (2014) argued that overwhelmingly older board and management team can be detrimental to a bank's ability to engage in true strategic planning.

Risk management from a microfinance standpoint. The increasing commercialization of microfinance is resulting in a greater impetus to implement formal risk policies and practices. Ball & Watt (2013) suggested that such actions if conceived with due care and attention to the purpose of microfinance, could be an important step for the industry. Ball and Watt further indicated that generic procedures of risk assessment and management, particularly those adapted from purely for-profit industries, could impede this relatively young industry, or subvert its mission.

Ball and Watt (2013) concurred that there is no doubt that the importation of many tried-and-tested risk management techniques has been valuable for the microfinance industry, particularly with regards to basic credit risk management skills. A comparatively rarely discussed topic was whether the social mission of the microfinance industry was compatible with the specialized and process-driven risk management techniques used in the banking sector or industry whose primary aim was profit maximization. Sanrego and Antonio (2013) noted that being the bedrock for alleviating poverty to enrich an economy, Microfinance plays a critical role in the financial inclusion. Microfinance institutions reach out to the unbanked population providing them the microcredit and other products.

Krishnan and Rao (2014) inferred that the studies on microfinance are wide-reaching, spanning across areas like regulatory framework and governance, products offered and pricing of the products including the efficacy of MFIs, impact assessment, poverty alleviation, women empowerment, performance measurement, sustainability and outreach of MFIs, moral hazard, etc. Krishnan and Rao concluded that the common denominator and the core character of microfinance across models are that of group lending that can be addressed by credit information bureaus. Krishnan and Rao concluded that Credit Information Bureaus play a significant role in tackling the problems of increased lending and over-indebtedness.

Rundell (2010) emphasized that lack of credit management is a problem made worse by a high level of indebtedness amongst borrowers already. Commentators say the expansion of the microfinance market has seen lenders squabbling for market share and easy access to credit. Rundell noted that worrying practices include “bicycling” using one loan to pay off another and microfinance loans financing consumption rather than investment. Extrapolating from a Banana Skins survey (2010), Rundell concluded that Africa's MFIs face substantial challenges. The Banana Skins survey (2010) highlights weaknesses in management, governance, and staffing, now compounded by fast-rising economic problems such as liquidity and credit risk.

Karnani (2011) illustrated that majority of microcredit clients are caught in subsistence activities and compete in overcrowded markets. Karnani pointed out that they usually have no specialized skills, hire no paid staff, own few assets, and operate on too small a scale to achieve efficiencies, and so they do not earn enough to rise out of poverty. Karnani expressed that the effective interest rate that a borrower pays for microcredit was very different from the stated interest rate of the loan. Karnani concluded that microfinance organizations routinely hide the actual interest cost by using "creative" practices, such as charging interest on the original value of the loan rather than on the declining balance. Belfius Bank (2013) explained that other fees include up-front costs, a collection of a security deposit (deducted from the loan amount), compulsory savings (collected with loan installments); and charging an insurance premium.

Risk management success. Despite the existence of extensive literature regarding risk management, there still seems to be the lack of knowledge in the identification of critical success factors in this area. Yaraghi and Langhe (2011) settled that the higher the level of general management skills, project management techniques, communication and leadership capabilities of managers, the better. Managers can help their subordinates in successfully implementing risk management systems. Hampton (2006) equated success in risk management to knowledge, relationships, and the sharing of best practices.

Lenckus (2005) mentioned that securing management support is to commit ample time to the effort of planning wisely and design risk management tools and approaches that respond to their specific clients, lending methodologies, operating environments, financial, and social performance objectives. Lenckus (2005) clarified that the core of risk management is making educated decisions about how much risk to tolerate, how to mitigate those that cannot be tolerated, and how to manage the real risks that are part of the business. Lenckus (2005) noted that for an organization to succeed in handling risks, there should be:

- Well-designed borrower screening, careful loan structuring, close monitoring, precise collection procedures, and active oversight by senior management.
- Delinquency is understood and addressed promptly to avoid its rapid spread and potential for significant loss.
- Good portfolio reporting that accurately reflects the status and monthly trends in delinquency, including a portfolio-at-risk aging schedule and separate reports by loan product.
- A routine process for comparing concentrations of credit risk with the adequacy of loan loss reserves and detecting patterns (e.g., by loan product, by branch, etc.).

However, Lenckus (2005) summarized that effective risk management requires an organization to take four key steps:

- Identify the risks facing the institution and assess their severity (either frequency or potential adverse consequences).
- Measure the risks appropriately and evaluate the acceptable limits for that risk.
- Monitor the risks on a routine basis, ensuring that the right people receive accurate and relevant information.

- Manage the risks through close oversight and evaluation of performance.

Dutt and Chaudhary (2014) explained that whether one is dealing with different types of risks such as:

- Financial risk (credit risk, liquidity risk, market risk).
- Operational risk (transaction risk, fraud risk, legal and compliance risk).
- Strategic risk (Governance risk, reputation risk, external business risk).

Success in microfinance requires substantial knowledge and skills in handling risks that call for proper finance management. Dutt and Chaudhary concluded that microfinance institutions in practice face different types of risks such as:

- Management quality
- Corporate Governance
- Inappropriate regulation
- Efficiency of Staff
- Rate of Interest
- Competition
- Political Interference

It is important to note that I identified 40 studies that compared the impact of microfinance in alleviating poverty with micro lending. The quality of the 40 plus articles varied, with 20 excluded either due to poor reporting, poor methodology, or both. 10 studies were average quality and five high qualities. But 15 studies were considered good enough quality and included in the in-depth review. From the perspective of most important, the studies had the correct methodology, superb design, and healthy population sample with concise reports. Many researchers have approached the problem of microfinance from diverse perspectives such as:

- To analyze the impact of microfinance on household income as well as measure household vulnerability to poverty after access to microfinance.
- To study household expenditure below a given poverty line in Cameroon using a scorecard.
- To study why microfinance decided to go green.
- To evaluations of microfinance programs within Ethiopia, Ghana, Kenya, Madagascar, Malawi, Rwanda, South Africa, Tanzania (Zanzibar), Uganda and Zimbabwe, and include both rural and urban initiatives.
- To perform trend analysis in studying levels of outreach in communities in the Democratic Republic of Conge.
- To determine how transparency and simplicity could build trust in the microfinance industry.

Oliver (2012) demonstrated that most of the studies looked at foreign organizations and other government intervention in providing funds to the developing countries; others looked at the effect on the GDP as well as the risk involved in microcredit (Mago, 2013). Other studies concurred that economic development through higher education will provide a foundation on which microfinance can be executed properly to benefit all and provide the banks with greater assurance in recovering debts (Hunject, Kozina, &Kurecic, 2015).

However, there were controversial issues since no one could detail an acceptable collateral for loans.

The contentious issue was that some of the studies accepted that microfinance was the primary tool for alleviating poverty while others rejected the assertion and turned to address poverty from leadership and management standpoint. The microfinance industry had been affected due to corruption because money circulates on few hands, thus hindering liquidity preference. However, another area to study is how to construct a common ground on which microfinance industries can operate freely without any strings from the government regarding higher taxes.

None of the studies could answer the question of why microfinance industry has become a victim of its success. This research is different in that it sought to find ways in which additional capital could be made available to the low-income individuals in the form of microloans with little collaterals. The government intervention can provide greater resources and services to millions of poor people through microfinance, but bureaucracy, red tapes, and bottleneck are some of the possible hindrances on success. The following research questions will be addressed:

GENERAL RESEARCH QUESTION

Why has the microfinance institution not been able to manage the financial stress(es) of individual borrowers in Cameroon?

SPECIFIC RESEARCH QUESTIONS

RQ1: What management strategies can microfinance institutions implement that will help individual borrowers obtain loans?

RQ2: What can microfinance institutions do to sustain the economic development of the micro business borrowers of Cameroon, to erode or alleviate poverty?

RQ3: How can financial institutions, encourage creditworthiness among micro borrowers?

Trust plays a central role in the financial markets. Moller (2013) pointed out that cooperation's success relies on confidence among people whose financial futures are insecure, and banks may confiscate property when borrowers default on their loan. The trust control perspective is critical for gaining insight into how the MFI balances (a) trust-building mechanisms to empower their clients, and (b) control mechanisms to manage loan-related activities.

Amin (2014) explained that much of the academic literature indicates that trust conceptualization is in many ways. Thus, has become rather complicated to define. Jaclyn (2009) stated that the success of micro lending institutions across the globe is rather astonishing. If trust is to play a larger role in the financing of the poor, then it must be determined what economic conditions are required. Credit market based on trust can coexist with a credit market based on collateral.

However, micro credit institutions grant loans to the needy individuals based on trust and other components of social capital rather than physical collateral.

The interest rates on these loans tend to be higher than commercial credit types. Hence, the microlending model is juxtaposed to popular models of credit markets and credit rationing. Trust is the basis of many aspects of microfinance operations and is a critical determinant of microfinance success. Trust governs interactions within borrowing groups, between clients and loan officers and between customers and institutions.

To adequately address the many strategic challenges microfinance institutions (MFIs) faces, they must design control systems that address low levels of interpersonal and institutional trust in their target populations. Epstein and Yuthas (2011) advised that by increasing focus on trust, MFIs can significantly improve their financial sustainability and social impact. Hermes and Lensink (2007) confirmed that lack of access to credit is one of the main reasons why many people in developing economies remain weak.

Bogbe, Arthur, William, Kyeremateng and Boampong (2013) expounded that the poor individuals cannot put up acceptable collateral and handle the costs of banks screening and monitoring the activities. Enforcing their contracts, are too high to make lending to this group profitable. Bassem (2012) shared that microfinance would correct the market failure, providing access to credit to the poor. The credit would create economic power that would generate into social power, lifting the poor out of poverty.

United Nations (2014) emphasized that the insufficient or unequal access to education and training for young people in rural areas, specifically for girls, is a major constraint. The lack of education and training prevents the people from securing a decent and productive job in their adult life. In rural areas, the informal system is widespread because of the various constraints relating to these areas:

- In populations often living in remote areas where infrastructure is defective
- In existence or lack of financial institutions, income from informal activities with no guarantee for microloans.

United Nations (2014) further explained that it is commensurate with the fact that poverty eradication policies and programs in rural areas are mainly part of national or sectoral programs. The use of micro credits allowed the economic and social development strategy 2012-2016, integrated development projects, and outreach programs for rural women supported by many international donors as well as local and national governments to achieve their “dreams” without having to borrow money from family or friends (United Nation, 2014).

However, Sinha and Nayak (2012) concluded that the Nobel Laureate and founder of Grameen Bank, Muhammad Yunus, who pioneered the concept of microcredit and microfinance never intended to create a micro lending juggernaut or invent the idea of social business. Dubroff (2014) summarized that instead of demanding collateral, he made loans based on the potential future income of his very borrowers in the remote towns and villages. He concluded that the word “Grameen” means village.

The selected approach is meaningful because it gives a more detailed and in-depth information on the aspect of microfinance in Africa, the Republic of Cameroon. The questions sought to uncover issues of trust amongst the lenders and the borrowers, the aspect of the leadership and how more money can be made available to the low-income individual with little or no collaterals. Using this approach, I also utilized the concept of the SWOT analysis. To understand the weaknesses (W) and threats (T) of the parties involved and incorporate their strengths (S) and opportunities (O) that are available to succeed in the micro lending industry. As propounded by Helms and Nixon (2010), the origin of the term "SWOT" is unknown.

Helms and Nixon explained that SWOT analysis was described by Learned (1969) and has grown as an essential tool for addressing complex strategic situations by reducing the quantity of information to improve decision making. King (2004) explained that a Stanford University Professor Albert Humphrey led a research project in the 1960s and 1970s using the SWOT analysis successfully. King (2004) concluded that SWOT analysis is tantamount to organizational assessments for strategic planning. Studies report the use of the tool for individual organizations, for comparing two companies, and for assessing several enterprises.

Given the pervasiveness of the use of the SWOT methodology by practitioners and academicians alike, it was not surprising some research studies focused on SWOT as the tool for strategic analysis (Agarwal, Grassl, & Phal, 2012). The selected approach was meaningful as the SWOT analysis was used to show different aspects or areas of concern in planning. The quest to alleviate poverty through availability of more funds to the low-income individuals is as shown under:

Strengths (S)

- Employment opportunities for family members
- Family advice and support
- Low capital investment and the encouragement of NGO’s availability and creation

Weakness (W)

- Problems in dealing with financial issues
- Delay in getting the loans from banks due to lack of collaterals
- Lack of sufficient loan due to conflict of interest

Opportunities (O)

- Self-confidence
- Hopes for better standard of living
- Better status in the family

Threats (T)

- Personal and social problems
- Economic, technical, and marketing problems
- Lack of time management and coordination in obtaining required results

World Vision (2011) concluded that for people to become self-sufficient and live-in dignity, they need a stable source of income. In developing countries, it is many times harder to achieve adequate income even though men and women are often incredibly resourceful and flexible. However, microfinancing has proven to be an effective means to fight poverty and hunger in many countries. Access to microfinance can improve people’s lives, especially those of the poorest. Microfinancing is not a charity, but a way to give low-income households an opportunity to improve their financial condition.

SUMMARY AND CONCLUSIONS

The major themes in the literature were poverty alleviation and the role of microfinance in a developing economy. Microfinance could be used to alleviate poverty in a developing economy while contributing to the economic growth. Microfinance provides individuals financial stability through the issuing of microloans to the low-income individuals to start or improve an existing business. The money made available to the low-income borrowers of Cameroon was so minuscule that they could not use it effectively to start a good and lucrative business.

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